

UPD OPERATIONS AND MAINTENANCE FUND

Public Works Department

BUDGET OVERVIEW

	2001-2002 Actual	2003-2004 Budget	2003-2004 Estimate	2005-2006 Budget
Total Expenditures	\$2,228,607	\$7,419,115	\$6,820,585	\$9,105,840
Ending Fund Balance	0	347,163	0	1,333,680
Total Budget	\$2,228,607	\$7,766,278	\$6,820,585	\$10,439,520
Total FTEs	6.84	6.84	6.84	5.94

PROGRAM OVERVIEW

The mission of the Urban Planned Development (UPD) Operations and Maintenance Utility is to provide water and sewer services to the Redmond Ridge UPD at the same level as is provided to customers inside the City. Additionally, City policy provides that the operations of the UPD Utility do not have a financial impact on the City's utility customers or rates and that these services be provided with a commitment to public safety, efficient use of public resources, and responsiveness to public concerns. The programs under this fund are administered by four functional groups:

- Administration and Engineering directs all departmental operations of the divisions within the utility, reviews rates and fees to ensure costs are recovered, and serves as advisor to the Mayor and Council on utility issues.
- Development Services performs water/sewer plan review for all commercial and residential development and provides construction inspection for all private development utility improvements.
- Natural Resources promotes water conservation and protection of drinking water supplies through educational programs. It also coordinates the creation and distribution of the annual Consumer Confidence Report, which is distributed to all Redmond water customers.
- Operations operates and maintains the water supply and distribution system and the wastewater collection system that serves the area.

BUDGET OVERVIEW

In concurrence with Council policy, a consultant was retained to prepare a rate study for the UPD Water/Sewer Utility to coincide with the development of the 2005-06 budget. The purpose of the rate study was to review the UPD Utility's consumption and development patterns, customer growth trends, and the cost of maintaining and operating the Utility. The study was completed in August 2004 and its results were presented to Council on August 24th. The rate study recommended that the monthly rates be increased to pass-through the higher Metro treatment costs of \$2.20. No other changes were recommended to the current rates as anticipated revenues were deemed adequate to meet the needs of the Utility over the next two years.

In addition, the consultant prepared an evaluation of the Depreciation Recovery Surcharge, which was also discussed with Council on August 24th. The purpose of the evaluation was to determine whether the amount of the surcharge, which is similar to a latecomer's connection fee imposed on new connections, is adequate to meet the future infrastructure needs of the Utility. The study concluded that the current

Depreciation Recovery Surcharge is adequate to fund the developer's share of future capital replacement needs and does not need to be changed. The City Council adopted staff and consultant's recommendations without change during the budget deliberations.

REVENUES

	2001-2002	2003-2004	2003-2004	2005-2006
	Actual	Budget	Estimate	Budget
Beginning fund balance	\$541,042	\$1,294,416	\$1,294,416	\$945,749
Engineering fees	621,131	802,000	647,604	669,768
Water sales	705,585	2,032,535	2,032,436	3,041,345
Sewer sales	140,138	502,020	502,009	1,510,908
Metro sales ¹	196,545	642,083	613,811	2,015,165
RCFC Revenue ²	0	1,204,400	1,204,400	1,000,000
Water service installation	237,320	465,750	466,040	484,620
UPD depreciation surcharge	362,726	749,947	837,655	732,750
Miscellaneous revenues	0	73,127	167,963	39,215
TOTAL REVENUES	\$2,804,487	\$7,766,278	\$7,766,334	\$10,439,520

EXPENDITURES

	2001-2002	2003-2004	2003-2004	2005-2006
	Actual	Budget	Estimate	Budget
Salary and Benefits	\$811,345	\$1,056,088	\$891,858	\$1,135,607
Supplies				
Water Purchases	318,512	934,900	934,590	1,599,039
RCFC Pass-thru to CWA ²	0	1,204,000	1,204,000	1,000,000
Other Operating Supplies	7,140	79,770	50,511	95,378
Professional/Legal	176,142	215,492	208,282	331,530
Intergovernmental				
Depreciation Transfers to CIP	288,094	2,599,136	2,079,735	2,256,773
Metro Wastewater Treatment	159,629	529,387	600,493	1,810,372
Other Intergovernmental	54,285	148,454	126,316	145,626
Capital Equipment	150,309	244,600	244,326	286,767
Interfund Transfers				
Water/Wastewater	230,832	367,243	440,427	412,725
Fleet Maintenance	32,319	40,045	40,047	32,023
Ending Fund Balance	0	347,163	0	1,333,680
TOTAL EXPENDITURES	\$2,228,607	\$7,766,278	\$6,820,585	\$10,439,520
Total FTEs	6.84	6.84	6.84	5.94

1. Fees assessed by King County for wastewater treatment are collected by the City and passed through to King County.
2. The City purchases water from the Cascade Water Alliance (CWA). Individuals requesting a new water meter pay a regional capital facility charge (RCFC) to the CWA. The City collects RCFC revenues on behalf of the CWA. Prior to 2004, RCFCs were budgeted in the UPD Capital Investment Program fund. Starting in 2004, RCFCs were accounted for in the UPD operating fund, reflecting a change in City accounting practices. As a result, \$1.2M and \$1.0M in RCFC revenues for 2003/04 and 2005/06, respectively, are included in the UPD operating fund. The figures in the table reflect this change.

SUMMARY OF BUDGET AND PROGRAM CHANGES

	Budget	FTEs
2003-2004 Operating Budget	\$7,766,278	6.84
Adjustments to the base budget:		
Increase for METRO wastewater treatment costs	\$1,280,985	
Increase in reserves	986,517	
Increase in purchased water costs and regional capital facility charges paid to Cascade Water Alliance	460,139	
Salary and benefit adjustments	213,126	
Other Adjustments	89,818	
Overhead charges paid to City Water/Wastewater Utility	45,482	
Increase in water meter costs due to increased installations	42,167	
Fleet Adjustments	(8,022)	
Reflects annual depreciation costs which are transferred to CIP for replacement projects	(342,363)	
	<u>\$2,767,849</u>	<u>0.00</u>
Program Reductions:		
Re-alignment of Staff due to re-organization	(\$154,903)	(0.99)
	<u>(\$154,903)</u>	<u>(0.99)</u>
Program Increases:		
Water System Vulnerability Assessment Maintenance	\$39,000	
Public Works Managers charged proportionately to Utilities	21,296	0.09
	<u>\$60,296</u>	<u>0.09</u>
2005-2006 Operating Budget	\$10,439,520	5.94

DESCRIPTION OF PROGRAM INCREASES (REDUCTIONS)Re-alignment of Staff: -\$154,903, -0.99 FTE reduction.

This item moves 0.04 FTE Business Manager, 0.05 FTE Management Analyst and a 0.90 FTE Construction Inspector to the Water/Wastewater Utility as part of a re-alignment of staff in order to match job responsibilities with costs in the appropriate functional units.

Water System Vulnerability Assessment Maintenance: \$39,000.

This request is for the monitoring and maintenance portion of the current and upgraded security systems which were put into place as part of the vulnerability assessment program. The cost of the request is shared with the City's Water/Sewer Fund.

Public Works Managers Charged Proportionately to Utilities: \$21,296, 0.09 FTE

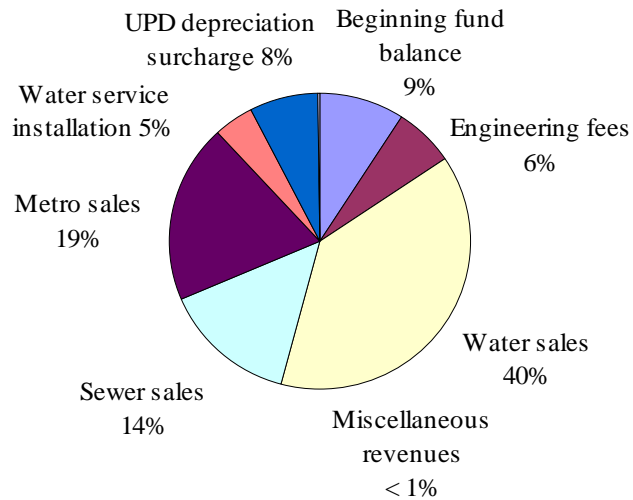
This request distributes the time spent on utility activities by the Public Works Director, Assistant Director, Construction Manager and Construction Supervisor that is not captured by the overhead allocation to the utility funds.

2003-2004 ACCOMPLISHMENTS

- Redmond's Water System Plan, which includes the UPD service area, was adopted in July 2003. This plan describes the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Transitioned from purchasing water from Seattle to purchasing water from the Cascade Water Alliance.
- Performed a rate study that validated current water/wastewater rates for the 2005-2006 biennium.
- Agreed to a settlement with Quadrant for the funding of depreciation.

2005-2006 WORKPLAN INITIATIVES

- Adopt the Sewer System Plan, which will describe the changes and improvements necessary to meet the needs of the forecasted growth while maintaining or improving the level of service for existing customers.
- Continue active participation in the Cascade Water Alliance for the development of regional water supplies.
- Continue to provide reasonable levels of service for UPD residents.
- Revise rates as recommended in rate review to recover operating costs while not unduly burdening the ratepayers.

SUMMARY OF DEPARTMENT RESOURCES**2005-2006 Budget \$10,439,520****By Category of Revenue****By Division/Program**